

February 25, 2013

Natural Gas Trends

Highlights

EIA'S SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) February 12, 2013 Short-Term Energy Outlook (STEO):

Spot prices, natural gas. Natural gas spot prices averaged \$3.33 per MMBtu at the Henry Hub in January 2013, relatively unchanged from December, despite colder weather in January. EIA expects the Henry Hub price will average \$3.53 per MMBtu in 2013 (compared with \$2.75 per MMBtu in 2012) and \$3.84 per MMBtu in 2014.

Natural gas futures: Natural gas futures prices for May 2013 delivery (for the five-day period ending February 7, 2013) averaged \$3.46 per MMBtu. Current options and futures prices imply that market participants place the lower and upper bounds for the 95-percent confidence interval for May 2013 contracts at \$2.61 per MMBtu and \$4.58 per MMBtu, respectively. At this time a year ago, the natural gas futures contract for May 2012 averaged \$2.81 per MMBtu and the corresponding lower and upper limits of the 95-percent confidence interval were \$1.83 per MMBtu and \$4.31 per MMBtu.

Consumption. EIA expects that natural gas consumption will average 70.3 billion cubic feet per day (Bcf/d) in 2013 and 70.0 Bcf/d in 2014. This month's prediction is a significant upward revision from last month's expectation of 69.7 Bcf/d and 69.4 Bcf/d in 2013 and 2014, respectively.

Production. EIA's most recent monthly production data indicated that total U.S. average daily marketed production reached 70.4 Bcf/d in November 2012, 0.4 Bcf/d above the previous month, with upticks in the federal Gulf of Mexico, Oklahoma, Wyoming, and the category for other states, which includes Pennsylvania. Production in the Marcellus Shale areas of Pennsylvania and West Virginia is expected to continue rising, as recently drilled wells become operational. Despite relatively low natural gas prices, Pennsylvania drilling continues at a strong pace as producers target combination oil-and-gas wells. Projected marketed production increases from 69.2 Bcf/d in 2012 to 70.0 Bcf/d in 2013, and remains flat in 2014. Natural gas pipeline imports, which have declined over the last 5 years, are projected to remain near their 2012 level over the forecast. LNG imports are expected to remain at minimal levels of less than 0.5 Bcf/d in both 2013 and 2014. LNG imports mainly arrive at the Elba Island terminal in Georgia and the Everett terminal in New England, either to fulfill long-term contract obligations or to take advantage of temporarily high local prices due to cold snaps and disruptions. Higher prices for LNG elsewhere in the world have made the United States a market of last resort for LNG suppliers. Natural gas exports to Mexico have grown substantially since 2010, and EIA expects pipeline exports to continue increasing through 2014.

Data

- March 2013 Natural Gas Futures Contract (as of Feb. 22), NYMEX at Henry Hub closed at \$3.291 per million British thermal units (MMBtu)
- April 2013 Light, Sweet Crude Oil Futures Contract WTI (as of Feb. 22), closed at \$93.13 per U.S. oil barrel (Bbl.) or approximately \$16.06 per MMBtu

Last week: Texas warmer and U.S. cooler

For the week beginning 2/16/13 and ending 2/23/13, heating degree days (HDD) were lower than normal (warmer) for Texas and higher than normal (warmer) for the US.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 2/23/13	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	186	+20	2712	-17%
Austin	62	-11	1250	-10%
DFW	101	-1	1511	-23%
El Paso	119	+21	1846	-12%
Houston	40	-28	882	-31%
SAT	35	-33	940	-30%
Texas**	73	-10	1307	-20%
U.S.**	199	+24	3033	-7%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated. ** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 2,400 Bcf

For the week ending 2/15/2013 working gas in storage decreased from 2,527 Bcf to 2,400 Bcf. This represents a decrease of 127 Bcf from the previous week. Stocks were 242 Bcf lower than last year at this time and 361 Bcf above the 5 year average of 2,039 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/15/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,108	1,187	-79	10.1%
West	367	380	-13	24.0%
Producing	925	960	-35	25.5%
Lower 48 Total	2,400	2,527	-127	17.7%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up 7

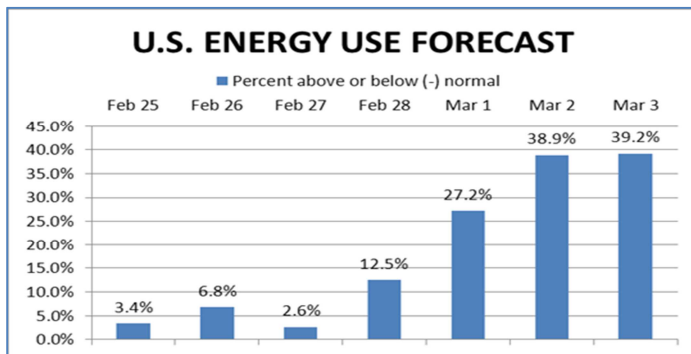
The gas rig count for the U.S. was up 7 when compared to the prior week and down 282 when compared to 12 months ago. The total rig count for the U.S. was down 1 for the week and down 220 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 2/22/2013	+/- prior week	Year ago	+/- year ago
Texas	843	5	920	-77
U.S. gas	428	7	710	-282
U.S. oil	1329	-8	1265	64
U.S. total	1761	-1	1981	-220
Canada	662	11	701	-39

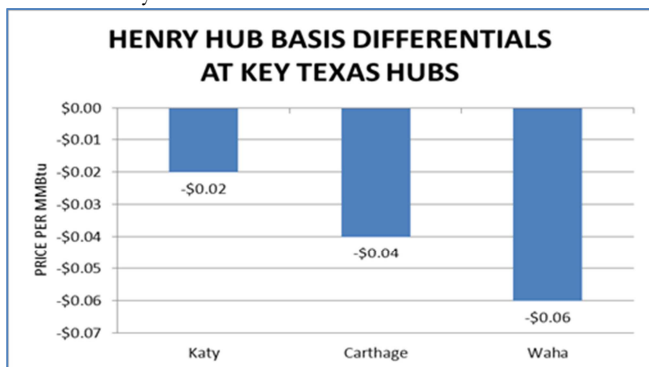
Numbers are excerpted and not meant to be totaled

This week: U.S. energy use above normal

U.S. energy use is predicted to be above below throughout the week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas. Source: Dominion Energy Index

**Last week: Basis ranged from -\$0.02 to -\$0.06 cents**

Gas basis at key Texas hub markets is shown below and at right as the spot market cash price minus the Henry Hub as of last Friday. Source: Platt's Gas Daily



2013 prices. Natural gas prices for 2013, shown below in green, are the NYMEX settlement prices for January-February and the futures prices for the remaining months of 2013.

